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BILLS OF EXCHANGE.

A modern text-book on Commercial Law opens with this sentence: "If commerce is the pillar of modern nations, the Bill of Exchange is the pillar of commerce."

Accustomed as we are to this happy contrivance by which A, living in one city, orders his debtor B, living in another, to pay C, a sum of money which A owes C—and indispensable, as it seems to us, to the most moderately developed commerce, it is almost certain that it was quite unknown, not only to the great commercial nations of antiquity, but that more than half of the present era had passed ere the first bill was drawn.

It is, I know, frequently asserted that in the clay tablets which modern explorers have found in such numbers in the ruins of Assyria, many copies of bills of exchange have been discovered; but the curator of the British Museum, where most of these tablets are now preserved, writes me that while there are "many tablets in which promises to pay certain sums of money are made, and sometimes the date of payment is mentioned, I know of nothing in the collection which is the equivalent of a bill of exchange."

The very rich collection made by recent explorers in Egypt, both in the Pharaonic and in the Ptolemaic ruins, is equally free of all trace of this species of document, though abounding in what may be called business literature. Roman literature, and Roman law, so fertile and complete in all that concerned the great commercial relations and methods of that wonderful empire, are equally mute on this theme.

There is, it is true, a letter extant from Cicero to Atticus, in which the orator, who was about to send his son to Athens to be educated—as was then the fashion—asks Atticus if there was not some one in Rome who would undertake to furnish the boy, while at school, with the funds necessary for his support and education; but the transaction here indicated resembled more our letter of credit than the commercial paper of which I am writing. Indeed, the absence of any such invention, certainly of its general use, is proved by a provision

of the Roman Code, "*De Nautico fenore*," by which merchants, having payments to make or debts to collect in foreign countries, were formally authorized to send their slaves with or for the money due; and, in fact, the risk and clumsiness of this method is the reason assigned by Cicero for seeking another way of providing his son.

There were, it is true, in Athens merchants engaged in "the business of exchange," called *Trapezitai*, from the Greek *trapeza*, a table—as "bankers" in the middle age in Italy, from *banca*, a bench or table—but it is quite certain that these were simply money changers, such as those whose *trapezai* were overturned in the temple, and whose successors are found at every street corner in the unchanging East to-day, who give domestic for foreign money, or small change for larger coins, charging therefor a small commission. This was the business entitled in Roman law "*cambium minutum seu manuale*," and had manifestly nothing in common with the modern contract of "exchange."

In 1181 Phillip II of France issued an edict expelling the Jews from his kingdom, giving them three months within which to settle up their affairs, confiscating their real property, but permitting them to retain their money and other personal property.

At that time in France, as in most countries of Europe, it was forbidden by law to take or send money out of the Kingdom, and the final clause of the law seemed in the last degree illusory; but this clause was the corner-stone of modern commerce, for therein was born the Bill of Exchange.

The Jews fled for the most part to Lombardy, Italy having been always the most liberal of mediæval nations towards the children of Israel. Before leaving France they sold, as they had the right to do, their personalty, and confided to their friends the proceeds of sale, and all money not needed for their journey; and, once established in the Lombard towns, they sold to Lombard traders, dealing in France, drafts on the French depositories of their funds, and these were the earliest Bills of Exchange.

At first they were simply letters in ordinary form—and, as is everywhere known, their French title, to-day, is "*Lettres de Change*," but, eventually, a formulary of words was adopted, which gradually but slowly took the familiar shape of to-day.

The utility of the invention at length introduced it into ordinary commerce, in which, as in Art and Letters, Italy led modern Europe, for as early as 1272 we find in the published statutes of Venice a chapter entitled "*De Litteris Cambii*," which can only refer to Bills of Exchange.

The earliest form of a Bill of Exchange known to be in existence is copied in the treatise of Balde, and reads thus:

“In the name of God, Amen.

On the first of February, 1381, pay by this first bill to the use of yourself forty-three pounds *de grossi*, in exchange for four hundred and forty ducats which I have received from Sejo & Co.—otherwise pay it.”

I have not ventured to translate *de grossi*, which probably signifies a coin of that day, now obsolete; and the last phrase of the original, “*attramonte le pagate*, I have guessed at. *Attramonte* is not Italian, but may be a form, now obsolete, of the French *autrement*; nor, I confess, do I understand the order “pay it,” unless it is a direction to pay the sum to Sejo & Co., from whom the equivalent was received.

The solemn commencement of this document, familiar in all papers of the Middle Ages, is in our day found only at the head of wills, and will eventually disappear from them. In Moslem countries it is still very common. I have seen many obligations to pay rent, for example, commencing “In the name of Allah, the Compassionate,” and nothing is more common than to find in the body of any contract for the payment of money, this further reference to Deity, “and if it pleaseth not Allah that I shall pay on the day herein fixed, I shall be liable for interest,” etc.

The first royal ordinance of France which speaks of Bills of Exchange, was issued by Louis XI in 1462, and, like nearly all the commercial legislation we know, it consecrates existing rules or practices; for commerce makes law, not law commerce. It reads: “Since at fairs, merchants are accustomed to deal in exchange and charge rebates and interest, all persons of whatsoever state, nation or condition are authorized to receive and remit money by means of Bills of Exchange in respect of their commercial transactions, *in any country except England.*”

In 1572 the business of negotiating Bills of Exchange was by law confined in Paris to twenty appointed agents, and subsequently the number was raised to forty; and when by decree of 24th of September, 1724, the Paris Bourse was authorized, it was stipulated that all negotiation of commercial paper should be made there, and if elsewhere made the parties could not enforce their rights in the royal courts.

Altogether the most remarkable fact in the history of Bills of Exchange is that, though invented in the twelfth century, neither they nor any other commercial paper was made negotiable until the seventeenth.

It took five hundred years to discover the enormous value of putting "to bearer" or "to order" into a note or bill.

Perhaps this is the most remarkable, though far from the only, proof of the timidity or conservatism of trade. Future generations will find it difficult to believe that, although a clearing house was established in London as early as 1775, it was not until May, 1865, that the Bank of England availed itself of this great convenience for settling bank balances. Up to that month the chief banking institutions of the world used to send around each afternoon a number of clerks called "out-tellers," with the checks and bills it held on other banks, and these clerks brought back the equivalent in notes or coin.

Commercial paper payable to bearer seems to have been at first welcomed doubtfully, probably because of its liability to loss, and a certain facility in lending itself to fraud, for I find that in 1716 a royal edict was published abolishing all paper payable "to bearer" in France; but five years later the law was revoked.

There was a species of Bill of Exchange, known as it seems specially in the city of Lyons, which the books call "adulterous exchange." The thing, though not the name, is quite familiar to-day, for these were simply a contrivance for evading the usury laws by including in the principal the usurious interest. Perhaps the word will recall to the reader, as it did to me, a phrase which that Cataline of the San Francisco sand-hills, Dan Sweeney, made well-known in the eighties—"lecherous bondholders."

It was long thought that this pioneer socialist meant to impute inordinate wickedness to the people whose fortune was in securities, but it turned out that Dan supposed the word "lecherous" to be an adjective derived from "leech."

The liberality of old times as to acceptances, seems curiously large in view of modern habitudes. An ordinance passed for the city of Lyons in 1667 provides that bills may be presented for acceptance on either of the first six days of each quarter, and that protest for non-acceptance may be made at any time during the month!

The practice in those days seems to have been to accept verbally, and the drawee was entitled to stipulate for conditional acceptances, or to declare the bill "seen" without acceptance. In March, 1673, a law was passed in France prescribing that all conditional acceptances should be held to be refusals.

And thus in France—and the history was repeated in all European states—was gradually carved, ornamented and solidly established, this mighty pillar of the commerce of nations.

A. M. KEILEY.

Alexandria, Egypt, April 29, 1900.